

VZCZCXRO9831
PP RUEHCHI
DE RUEHBK #7126/01 3320640
ZNR UUUUU ZZH
P 280640Z NOV 06
FM AMEMBASSY BANGKOK
TO RUEHC/SECSTATE WASHDC PRIORITY 3180
INFO RUEHCHI/AMCONSUL CHIANG MAI 2744
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUCPDC/NOAA WASHDC

UNCLAS SECTION 01 OF 02 BANGKOK 007126

SIPDIS

SIPDIS

STATE PASS TO USAID

E.O. 12958: N/A

TAGS: [ECON](#) [TH](#)

SUBJECT: THAILAND: TWO YEARS AFTER TSUNAMI DEVASTATION,
PHUKET TOURISM STAGES NEAR-TOTAL RECOVERY

¶1. Summary: Less than two years after the devastating December 26, 2004 tsunami struck southern Thailand, the annual US\$2.5 billion tourist industry of Phuket has staged an almost complete recovery. Arrivals from some Asian countries remain soft, but the shortfall has been compensated by a big increase from other countries, especially Korea. Local tourism officials credit this faster than expected recovery to effective Thai Government and international assistance; the apparent belief among tourists that the tsunami was a one-off natural event unlikely to be repeated

SIPDIS

anytime soon; and the enormous attractiveness of the Phuket area among international visitors. While a number of challenges remain (such as a housing shortage for workers), and rival destinations beckon, tourism officials are confident that Phuket's mixture of sun, surf, tropical waters, and Thai hospitality will ensure that Phuket will remain a popular destination. End Summary.

¶2. Less than two years after the devastating December 26, 2004 tsunami struck southern Thailand, the annual US\$2.5 billion tourist industry of Phuket has staged an almost total (better than 90 percent) recovery. This was the consensus among a wide range of tourism-related Thai government and private sector leaders surveyed by U.S. Embassy officials during a visit to the area in mid-November.

Tourist Arrivals Approach Pre-Tsunami Levels

¶3. In most sub-regions of the Phuket tourism area, arrivals look set to match or even exceed the levels of (pre-tsunami)

¶2004. In the popular Krabi sub-region, arrivals for 2006 through June are down about 27 percent compared to the same period in 2004, but arrivals in recent months have been accelerating, and with the forecast Asian New Year business added, are projected to about equal those of 2004. In Phuket proper, arrivals are down only five percent compared to the pre-tsunami peak, and for all of 2006 are projected to be about the same as calendar year 2004. The only laggard is the Phang Nga area; this sub-region contains the hard-hit Khao Lak beaches, the scene of perhaps the highest foreign tourist casualties of the tsunami. But even here, experts are predicting a near full recovery in 2007. The Khao Lak area is being reconstructed rapidly, and currently there are 3000 guest rooms available (about half of what existed prior to the tsunami), with a current occupancy rate of 50 percent.

By next year this will jump to 7000 rooms, and advance bookings suggest that the occupancy rate will be 70-80 percent in 2007.

Arrivals Mix Has Changed

14. While total arrivals are approaching pre-tsunami levels, the mix of nationalities has changed. Prior to the tsunami, in Phuket proper visitors from Australia topped the list of arrivals, followed by Korea, the UK, Germany, Sweden, and the U.S. In 2006, Korea has assumed the top position, followed by Sweden, the UK, Germany, Australia, and Malaysia. Officials still see softness in the arrivals numbers from Scandinavia, Germany, Taiwan, and China. For Scandinavia and Germany, this is explained by the high tsunami death toll among tourists from these countries. For China and Taiwan, Thai tourism experts cite a widespread belief -- and fear of -- malevolent ghosts in these cultures, and a reluctance to visit a place where so many died so violently so recently. (This same phenomenon also can be seen in somewhat lower Thai citizen arrivals.) On the other hand, higher arrivals from Korea, Australia, and Japan are partially attributed to reluctance among these nationalities to visit Bali owing to recent terrorist bombings on that island.

Recovery: Why So Fast?

15. More or less full recovery in less than two years is much faster than anyone predicted back in January 2005. Why so fast? Local tourism officials cite several factors. First, the Thais readily admit (and are thankful for) the role played by the international help they have received. Second, the Bank of Thailand stepped in to restructure loans, giving tourist industries time to recover. Third, many tourists apparently view the tsunami as an infrequent natural disaster that is not likely to be repeated anytime soon; the unabated demand from tourists has created its own supply in the form of rebuilt hotels. This attitude has no doubt been reinforced by Thailand's prompt installation of world class tsunami early warning devices (such as the U.S.-donated DART

SIPDIS

buoy, to be deployed in December 2006 in the Andaman Sea). Finally, there is the overriding X factor, best summed up by one official: "People really like to visit Phuket."

BANGKOK 00007126 002 OF 002

16. Local officials cite a number of lingering problems. The construction boom and the tsunami death toll have created a labor shortage, which has driven up wages. Housing remains in short supply, with some workers forced to sleep on boats.

Something will have to be done about the perception that malevolent ghosts are stalking Chinese and Thai tourists. And Thai tourism officials fret about the possibility of far southern Thailand's Islamic separatist insurgency spreading northward into the Phuket tourist areas. (For now at least, this seems an unlikely possibility; the potent historical, ethnic, and religious mix fueling insurgency in Thailand's far south are absent from in the Phuket area.)

17. But these problems are seen as relatively minor and of limited duration. For now, optimism prevails within the Phuket sector. Local tourism officials are preparing for what they see as the next stage in the development of Phuket tourism, which they believe will emphasize sailing (more marinas are planned); "green" tourism; and world class sports activities such as international regattas, golf tournaments, marathons/triathlons, and beach volleyball. While Phuket's leaders are aware of the threat posed by competitive newcomers like Vietnam, they are confident that Phuket's mixture of sun, surf, tropical waters, and Thai hospitality will ensure that Phuket will remain a popular destination.

ARVIZU